

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

November 23, 2004

ORDER

BANGOR GAS COMPANY, LLC  
Cost of Gas Adjustment --  
Modify Monthly Cost of Gas  
Mechanism

Docket No. 2003-111

BANGOR GAS COMPANY, LLC  
Annual Review of Cost of Gas  
Activities July 2003 Through June  
2004

Docket No. 2004-732

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

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**I. SUMMARY**

In this Order, we authorize Bangor Gas Company, LLC (BGC) to revise its Past Gas Cost Adjustment (PGCA) to allow it to collect under-recovered gas costs of \$22,923 that accrued during the period November 2003 through April 2004, as well as to modify the calculation of the monthly cost of gas rate to reduce future under-recoveries.

**II. PROCEDURAL HISTORY**

On June 17, 2004, BGC filed a letter notifying the Commission and parties to this docket that it had under-recovered \$22,923 of gas costs during the period November 1, 2003 through April 30, 2004, and requesting authorization to recover that amount through its rates effective in November 2004. On September 30, 2004, BGC filed additional information about this under-recovery and a proposal on how to reduce the chance of the problem recurring. On October 26, 2004, the Staff held a conference call with BGC and the OPA to discuss this matter.

**III. ANALYSIS AND DECISION**

BGC explained in its filing that the under-recovery of gas costs resulted from the proration that its billing system uses to calculate the bills. BGC purchases its gas and sets its rates on a calendar month basis; however, its metering and billing cycles for most customers are usually not concurrent with the calendar month. BGC's billing system is not capable of accurately prorating usage throughout the billing cycle.<sup>1</sup> To

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<sup>1</sup> When formed in 1999, BGC used a billing system obtained from its parent, Sempra, which was a type used in the Sempra corporation. BGC also had only two

calculate bills for gas use during billing periods that fall within two different months, BGC's billing system assumes the amount of gas used on each day is equal by dividing total use by the number of days in the billing cycle, and then it applies the effective monthly rates to each day within the billing cycle. In periods of stable gas prices and temperatures, this procedure works with few problems. Unstable periods, whether due to extreme cold periods or extreme price fluctuations, cause a mismatch between the price that BGC paid for the gas and what it bills. Gas used during exceptionally cold weather last January, a high cost (and rate) period, was allocated by BGC's billing system to a lower cost (and rate) period, resulting in an under-recovery of gas costs. The implementation of monthly gas cost rate adjustments in November 2003 exacerbated this problem, increasing the rate periods each year from two six-month periods to twelve monthly periods. Consequently, BGC seeks both to recover under-recovered amounts that have accrued to date and, to modify its rate-setting formula to reduce the degree to which this occurs.

BGC calculated the amount of the under-recovery by deducting from the total amount of gas coming into the distribution system at its Veazie meter station, gas used by its large industrial and transportation service customers, all of which are separately metered and billed on a calendar month schedule. BGC then deducted an amount for unaccounted-for gas based upon its average, historically occurring percentage. Finally, BGC calculated the under-recovered amount as the difference between the remaining amount of gas and billed usage in each month.

BGC originally proposed to recover the full amount of the under-collection in one month. During the telephone conference, the parties agreed that it would be better to spread the under-recovered costs over a longer period of time. Because BGC already has an existing method to reconcile gas costs, the Past Gas Cost Adjustment, the parties agreed that it would be best to add the \$22,923 to the balance for the 2002/2003 Winter Period "legacy account" and recalculate the surcharge included in its tariffs. In addition, after discussions with the parties, BGC proposed to make this adjustment monthly with an annual true-up to the PGCA to finalize the reconciliation. BGC estimates that any final year-end adjustment will be minor.

BGC's under-recovery came about as a result of switching from a six-month cost of gas adjustment to a monthly cost of gas adjustment while using a billing system that can only make a basic pro-rata calculation for usage. BGC's modified proposal should keep the effects of these pro-rata billing differences to a minimum and, by making the adjustment on a monthly basis, should still send out somewhat better price signals. By spreading out the recovery of the under-recovery from the last winter period over an 11-month period instead of in one month, rates will not be unrepresentative of the current market price. Including the amounts in an already existing account and line item on the bill, will not increase the administrative burden on BGC.

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seasonal costs of gas adjustments each year. BGC and Sempra are reviewing possible replacement systems to correct the deficiencies in the current system and hope to have something in place next year.

We note that BGC's existing tariffs allow it to calculate the monthly cost of gas adjustment and any under- or over-recoveries from the previous month using estimates. Therefore, no modification of the tariffs is necessary for its change in monthly rate calculations, but revised rate schedules are necessary to reflect the change in its surcharge. We have delegated authority to approve these schedules to our Director of Technical Analysis.

Accordingly, we

**O R D E R**

That Bangor Gas Company, LLC shall add \$22,923 of under-recovered gas costs to the Past Gas Cost Adjustment surcharge and file revised rate schedules for effect on December 1, 2004.

Dated at Augusta, Maine, this 23<sup>rd</sup> day of November, 2004.

**BY ORDER OF THE COMMISSION**

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Diamond  
   Reishus

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.